

THE WALL STREET JOURNAL.

On Diversity, America Isn't Putting Its Money Where Its Mouth Is

February 25, 2008

At a time when Americans are congratulating themselves for having a diverse field of political candidates, their business leadership still doesn't equally value diverse employees and managers. In fact, progress for women and minorities in terms of both pay and power has stalled or regressed at many of the nation's biggest companies. This inequality shapes perceptions about who can or should be a leader.

More than 40 years after job discrimination was outlawed, the wage gap between white men and just about everyone else persists. The one exception is for Asian-American men, whose median wages were just 1% less than those of white men who worked full time, year round, according to the Bureau of Labor Statistics' survey in 2005, the latest year for which data are available.

Black men, by contrast, earned 74% of the wages of white males; Hispanic men earned 58%.

Women, overall, are substantially lagging behind men in pay. Full-time female employees earned 77% of all men's median wages. Breaking it down in terms of race, Asian-American women earned 78% of the median annual pay of white men; white women earned 73%; black women, 63%; and Hispanic women, 52%.

There are, of course, many theories about the reasons behind the pay discrepancies. Women may take time off to care for children, so they don't build up the tenure that leads to promotions and higher salaries; or they don't demand raises as often as men do because they've been socialized not to be assertive; or they don't have the right skills for the best-paying jobs.

The wage gap persists among young women who have more education than men their age. Last year, 45% of women ages 25 to 34 had a college degree, compared with 36% of young men. But women's median earnings overall were 14% lower, according to an analysis of recent Census Bureau data by Timothy Casey, a senior staff attorney at Legal Momentum, a New York advocacy group. Again, the gap may partly reflect that far fewer women than men major in engineering, business and other fields leading to high-paying jobs. Still, it is a reminder of how girls need to be encouraged to recognize their math and science abilities.

Young women earned 20% to 25% less than young men at the same education level -- about equal to men at an education level below theirs. "It's disheartening because the rate of progress toward equality that we saw in the 1970s and 1980s has slowed in recent years," says Heidi Hartmann, president and economist at the Institute for Women's Policy Research. "At the current rate, equal pay will take another 50 years."

White men also still wield the most power in business. Whites make up 81.6% of the work force and 83.5% of managers. Men of color held 6.4% of corporate-officer positions at the 260 big

companies that agreed to verify data in a 2005 survey by research group Catalyst. Typically, corporate officers hold titles of director or vice president and higher.

For women, who now represent half of all managers and professionals, the climb to the top has gotten tougher. In 2007, women held 15.4% of corporate-officer posts at the nation's top 500 companies, down from 16.4% in 2005, Catalyst said. Women of color hold just 2%.

The percentage of female officers in line jobs that lead to the corner office also fell -- by 6% to 27.2% last year, according to a Catalyst survey of the top 500 companies. By comparison, one-half of male corporate officers held line jobs. Some 74 of the nation's top 500 companies -- 10 more than in 2006 -- had no female corporate officers at all. Many other household-name companies, including Microsoft, GE and Wal-Mart, had fewer than 25% women in C-level posts.

Just five companies -- Reynolds American, Office Depot, Northeast Utilities, Edison International, Reliance Steel & Aluminum and Thrivent Financial for Lutherans -- had women in more than 40% of their corporate-officer jobs.

The lack of diversity means that whenever a top minority or female executive is ousted or retires, any gains are erased. It also reinforces stereotypes that women and minorities somehow lack leadership skills.

Morgan Stanley, for example, now has just four female corporate officers since the recent ouster of co-president Zoe Cruz and the departure of Eileen Murray, former head of global technology and operations. There are just three African-American CEOs at large companies -- American Express, Aetna and Darden Restaurants. That's 50% fewer than late last year before Merrill Lynch's Stan O'Neal and Sears' Aylwin B. Lewis left their jobs and Time Warner's Richard Parsons retired.

What will it take to change this picture at a time of fierce competition for a shrinking number of management jobs? It requires business chiefs who understand that diversity is good for the bottom line because it enables them to recruit the best talent, enlist broad thinking and reach diverse customers world-wide. And it requires CEOs to link their managers' compensation to achieving more diversity while offering development programs for all employees.

This is happening at companies like Ernst & Young and IBM, which evaluate managers on how well they retain and advance women and minorities. IBM, which does business in 170 countries, "wants a work force as broad and diversified as its customer base," says Ron Glover, vice president, global workforce diversity.